

Message Text

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PAGE 01 STATE 164428

12

ORIGIN EB-11

INFO OCT-01 AF-10 EA-11 NEA-10 ADP-00 GSA-02 AGR-20 COME-00

TRSE-00 OMB-01 L-03 CIAE-00 DODE-00 PM-07 H-03 INR-10

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

CIEP-02 STR-08 CEA-02 EUR-25 /171 R

DRAFTED BY EB/ISMFMEYERS:RDM

8/17/73 EXT. 21487

APPROVED BY EB/ICD:JJINGERSOLL

EA/IMS:THEAVNER

EA:HBARGER

GSA:BROSS

----- 121100

R 172313Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY KUALA LUMPUR

INFO AMEMBASSY BANGKOK

AMEMBASSY COLOMBO

AMEMBASSY JAKARTA

AMEMBASSY LAGOS

AMEMBASSY MONROVIA

AMEMBASSY SINGAPORE

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E.O. 11652: N/A

TAGS: EIND

SUBJECT: RUBBER DISPOSALS

REF: A. KL 3606

B. KL 3623

1. DEPT ACCEPTS VALIDITY OF POINTS MADE REF (B) AND IN ALL
PROBABILITY WE WOULD COMPLY WITH GOM REQUEST IF IT WERE NOT
FOR SERIOUS PRACTICAL OBSTACLES WHICH MAKE IT IMPOSSIBLE
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PAGE 02 STATE 164428

TO RAISE PRESENT DISPOSAL LEVEL. EMBASSY IS REQUESTED TO

REPLY TO GOM AIDE MEMOIRE AS CITED REFTEL (A) ALONG
FOLLOWING LINES:

A. USG IS AWARE OF CURRENT INFLATED PRICES FOR
NATURAL RUBBER AND HIGH DEGREE OF SPECULATION WHICH
EXISTS IN WORLD RUBBER MARKETS.

B. FACED WITH AN UNCERTAIN MARKET AND HIGH PRICES,
AMERICAN CONSUMERS OF RUBBER STAYED OUT OF THE MARKET
IN GREAT NUMBERS DURING MONTH OF JULY. FOR EXAMPLE, GSA
WAS ABLE TO SELL ONLY 2,878 LONG TONS OF ITS 10,000 TON
QUOTA FOR LAST MONTH, AND ONE NY DEALER WAS FORCED TO SHUT
OWN HIS THAWING EQUIPMENT RECENTLY INSTALLED FOR THE EX-
PRESS PURPOSE OF USING GSA RUBBER.

C. IN CONSIDERATION OF GOM PROPOSAL, GSA WILL NOW
PURSUE A MORE AGGRESSIVE SALES POLICY IN ORDER DISPOSE
OF 10,000 TONS PER MONTH.

D. PRACTICAL CONSIDERATIONS DETER GSA FROM SELLING
ABOVE 10,000 TON PER MONTH LEVEL. REMAINING GSA RUBBER
IS CONCENTRATED AT VERY FEW LOCATIONS, AND GSA HAS INFORM-
ED DEPARTMENT OF STATE IT WOULD BE PHYSICALLY IMPOSSIBLE
SELL AT RATE OF 30,000 TONS PER MONTH. SUCH RATE OF DIS-
POSALS WOULD ALSO REQUIRE LARGE EXPENDITURES FOR ADDITION-
AL PERSONNEL, WEIGHING AND TRANSPORTATION EQUIPMENT AND
THAWING FACILITIES.

E. GSA HAS ONLY 89,000 TONS OF RUBBER AVAILABLE AND
AUTHORIZED FOR DISPOSAL. ASSUMING GSA COULD SELL AT
30,000 TON LEVEL, POSSIBILITY WOULD EXIST THAT IT WOULD
BE OUT OF MARKET IN THREE MONTHS. THUS, THERE WOULD BE
NO GSA STABILIZING FORCE IN MARKET, AND PRICES COULD
RISE EVEN MORE.

F. NY MARKET NOW APPEARS MORE STABLE WITH RETURN OF
US CONSUMERS PURCHASING PHYSICAL RUBBER. GSA RUBBER IS
ALSO SELLING AT BETTER RATE THAN LAST MONTH.

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PAGE 03 STATE 164428

G. USG WILL KEEP SITUATION UNDER REVIEW AND WILL
MAKE NEW ASSESSMENT AFTER GSA SALES EXPERIENCE OF AUGUST.

2. ACCORDING PRESIDENT NY RUBBER TRADE ASSOC. NY PRICE
WILL PROBABLY NOT GO BELOW 35 CENTS PER POUND IN NEXT FEW
MONTHS. HE CLAIMED HEAVY BUYING BY CHINESE AND SOVIETS
IN WORLD MARKETS PLUS NEW US SPECULATORS IN RUBBER
FUTURES WOULD KEEP PRICE HIGH. ROGERS

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